

DECISION MEMORANDUM

**TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: SCOTT WOODBURY
DEPUTY ATTORNEY GENERAL**

DATE: FEBRUARY 6, 2009

**SUBJECT: CASE NO. PAC-E-08-07 (Rocky Mountain Power)
SETTLEMENT STIPULATION**

On September 19, 2008, PacifiCorp dba Rocky Mountain Power (Rocky Mountain Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to increase the Company's base rates for electric service by \$5.9 million annually, or 4.0%. The increase in base rates would vary by class of customer and actual usage. The rate increase does not apply to Agrium or Monsanto, whose rates are controlled by a separate Commission-approved Stipulation. Intervening parties to this case are: Monsanto Company; Idaho Irrigation Pumpers Association, Inc.; Community Action Partnership of Idaho; and Agrium, Inc.

Public workshops for PacifiCorp customers were scheduled to occur on January 7, 2009 in Rexburg, Idaho and January 8, 2009 in Preston, Idaho. On January 6, 2009, the workshops were cancelled by the Commission based on the existing and forecasted weather conditions, road conditions and snow.

On January 8, 2009, the Commission Staff filed with the Commission a Notice of Intent to Engage in Settlement Discussions. RP 272. A settlement conference was subsequently held on January 15, 2009 and was attended by all parties to the case with the exception of Agrium, Inc.

Pursuant to discussions, PacifiCorp, Commission Staff, Idaho Irrigation Pumpers Association and Community Action Partnership of Idaho have entered into a Stipulation and negotiated settlement that purports to resolve all issues raised in this proceeding. The Stipulation

does not impact or propose any changes to Monsanto or Agrium's rates. Monsanto participated in the settlement discussions and while they do not adopt the Stipulation they have no objection to the Commission approving the same. The Stipulation was filed with the Commission on February 5, 2009. The stipulating parties represent that the Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

Under the terms of the Stipulation, Rocky Mountain Power would be authorized to recover \$4,382,632 (3.1%) in additional annual electric revenue from non-contract customers. The increase would be effective April 18, 2009 for all affected customers.

The terms of the Stipulation include the following terms:

- The parties agree that their proposal is a "black box" settlement with no party accepting a specific methodology for the revenue requirement determination. The parties agree that the overall increase represents a fair, just and reasonable compromise of the issues raised in this proceeding and that the Stipulation is in the public interest.
- The parties agree to establish the total Company base rate net power cost at \$982 million, as filed in this Application, which will be necessary for calculation purposes in Rocky Mountain Power's currently pending application for approval of an energy cost adjustment mechanism in Case No. PAC-E-08-08.
- The parties agree that Rocky Mountain Power's acquisition of the Chehalis generating plant in Chehalis, Washington was a prudent decision and in the public interest, and costs related to the plant acquisition and operation included in this case are reasonable and are included in rate base.
- The parties agree that the demand-side management programs proposed by Rocky Mountain Power in Case No. PAC-E-08-01 are prudent. Further, the parties agree that a total of \$50,000 of demand-side management program funds will be made available to Southeastern Idaho Community Action Agency and Eastern Idaho Community Action Partnership to be used to support conservation education as a component of Rocky Mountain Power's Low Income Weatherization Program, Schedule 21.
- The parties agree that the issue raised in the Company's testimony related to the Energy Trust of Oregon Funding of the Goodnoe Hills Wind Generation plant will be deferred to Rocky Mountain Power's next filed general rate case.

- Rocky Mountain Power agrees that it will include an inverted tier rate design proposal or option for residential customers in its next filed general rate case for the Commission's consideration.
- The parties agree to the rate spread set forth in the following table. The calculations are based on the ratio of Rocky Mountain Power's proposed revenue requirement increase of \$5,871,441 to the settled revenue required increase of \$4,382,632. Details of the rate spread are included in Attachment 1 to the Stipulation.

Customer Class	Proposed	Settled
Residential – Schedule 1	4.73%	3.53%
Residential – Schedule 36	4.73%	3.53%
General Service		
Schedule 23/23A	0%	0%
Schedule 6/6A/8/35	7.96%	5.94%
Schedule 9	7.96%	5.94%
Schedule 19	2.31%	1.73%
Irrigation		
Schedule 10	2.31%	1.73%
Public Street Lighting		
Schedules 7/7A, 11, 12	0%	0%

- The parties agree that the design of rates by rate schedule (rate design) shall be consistent with the Company's filed proposals as adjusted for the revenue requirement in this settlement.

The stipulating parties recommend that the Commission approve the Settlement Stipulation for an April 18, 2009 effective date. RP 274. The parties recognize that the proposed settlement is not binding on the Commission (RP 276), and that the parties to the settlement carry the burden of showing that the settlement is reasonable, in the public interest, and is in accordance with law or regulatory policy. RP 275.

In furtherance of the Stipulation, Staff recommends that the following scheduling be adopted:

February 25, 2009	Deadline for filing by stipulating parties of testimony in support of the Stipulation
March 11, 2009	Technical hearing on Settlement Stipulation – Boise, Idaho
March 20, 2009	Deadline for filing written comments

The parties also agree that the previous scheduling in Case No. PAC-E-08-07 be vacated.

COMMISSION DECISION

A Settlement Stipulation in Case No. PAC-E-08-07 has been presented. Does the Commission agree with the Settlement Stipulation related scheduling proposed by Staff?

A handwritten signature in black ink, appearing to read "Scott Woodbury", written over a horizontal line.

Scott Woodbury
Deputy Attorney General

bls/M:PAC-E-08-07_sw3